



U.S. DEPARTMENT OF DEFENSE

# **Update on OUSD(C) Initiatives**

Overview and Path Forward

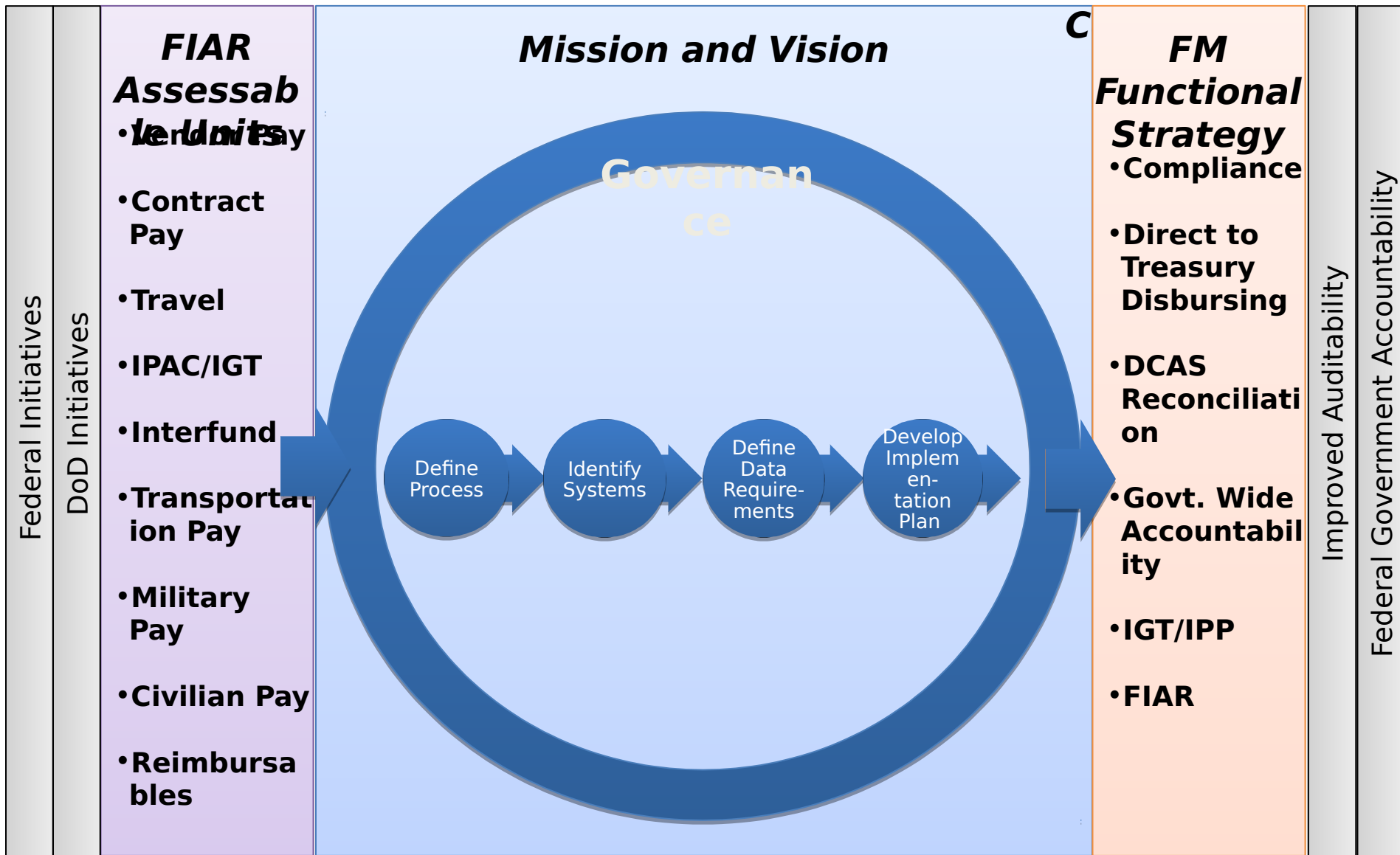
Mary Kemp, OUSD(C) BIO

June 10, 2015

OUSD (Comptroller) Business Integration Office (BIO)



# Initiatives Overview





# Problem Statement

*DoD FBWT auditability  
cannot be sustained with  
today's cumbersome  
monthly cash reporting &  
recon processes and  
disparate systems*



# DoD Challenges and Requirements

Challenge	Requirement
Source Document Errors	Utilize data validation earlier in end-to-end business processes
Inconsistent edits (ERP, entitlement, DCAS, DDRS, Treasury)	Leverage a standard validation service
Non-Standard Recon Processes and Tools	Transition to a DoD Centric Model
Point to point interfaces	Utilize a data broker in lieu of point-to-point interfacing
Large unsupported JVs and use of suspense accounts to balance cash	Business Process that eliminates out of balances on a daily basis
Compliance with US Treasury GWA/CARS daily reporter mandate	Design DoD-wide process and align systems to ensure compliance
Direct Cite/Cross-Disbursing Business Process	Drive business process change to IPP or funding realignment, minimizing Cross-Disbursing transaction volume



# What is the Magnitude - Analyzing the Problem?

## FBWT

- Treasury Reports
- Statement of Accountability (SOA)/ Statement of Transactions (SOT)
- Year Closing Statement

Problem	Impact	Accountability & Reconciliation	Data Management	Drawdown Plan	Disbursement of DSSN Payment & Collections	GTAS Project	IPP Project	Disbursing Project
In-Transits	\$26 Billion	☐	☐	☐	☐		☐	☐
Undistributed	\$3.9 Billion	☐	☐	☐	☐	☐		☐
Unsupported Accounting Entries	\$164.46 Billion	☐	☐				☐	☐
Intra/Inter governmental Eliminations	\$93 Billion						☐	
Budgetary /								



# Many Initiatives Affect FBWT:

## CATWG

### Oversight

Implement enterprise standards

### Change Management

Promote organizational change

**Sensitive Activities**  
Classified data

**DCD/DCW**  
Central data repository

**Delinquent Debt**  
Management of delinquent debt

**IGT/IPP\***  
Standard buy/sell processes

**Cash Traceability\***  
Enterprise Daily Cash Reporting and Traceability (DCAS)

**CARS Implementation**  
Interfund Reporting

**GTAS**  
Single reporting requirement

**Direct Treasury Disbursing\*,\*\***  
Centralized post-pay

**Legacy Systems Drawdown**  
Transitions and sunsetting

**Data Management\*,\*\***  
Standard financial data/central data broker

**DSSN Drawdown Reporting**  
1219/1220

**Contingency Operations**  
Support

**Sub-Allotments\*,\*\***  
Execution and internal controls

**Funds Distribution\*,\*\***  
Electronic funds distribution

**Collections**  
Receivables management

## Results

- **Daily traceability** of all outlays/collections via DCAS/GEX
- **Daily validation** of accuracy of disbursements and collections via GEX
- **Daily reconciliation** of Treasury accounts with Component accounts
- **Daily reconciliation** of Treasury CARS to GL via DCAS/GEX
- **Reduction** in reclassification entries
- **Reduction** in statement of differences, use of clearing accounts,

## Outcomes

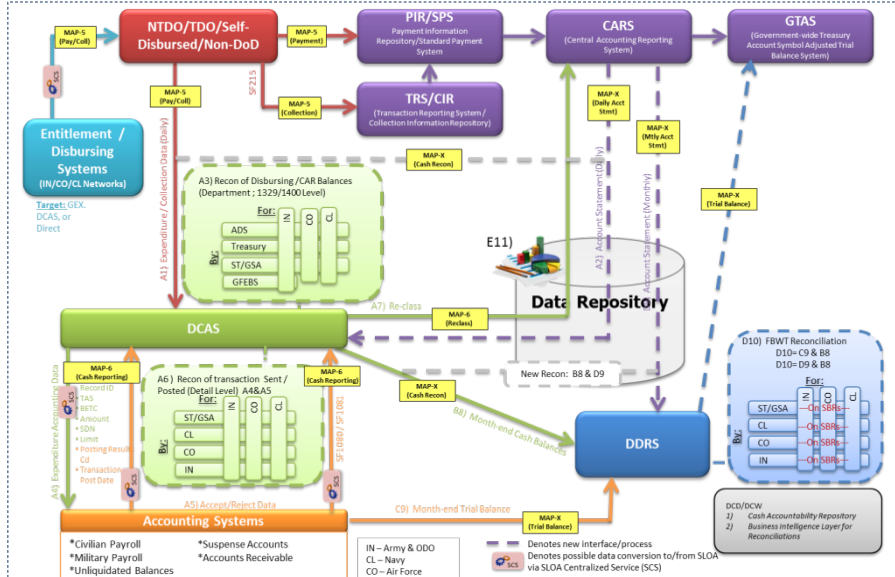
# Auditability

■ Existing Working Group

\* Initiative directly relates to Audit Readiness, Daily Funds Balance w/Treasury (FBWT)/Cash Balancing Goals



- Single system – Defense Cash Accountability System – to perform expenditure reconciliations
- Adapt legacy disbursing systems to perform daily disbursing using Treasury standards
- Reduce the number of systems reporting to Treasury



- Formation of DoD Cash Accountability Working Group
- Expand development of data standards around a FBWT Business Enterprise Architecture
- Leverage Treasury Shared Services processes and procedures

- Single DoD solution for Cash Reconciliation and Reporting
- Leverage ERP capabilities to perform Treasury Direct Disbursing functions
- Partner with Treasury and DoD Disbursing Offices to implement CARS and GTAS reporting



# Initiative: Treasury Disbursing

## **Systems Improvement**

- Reduction in expenditure “touch points”
- Native ERP functionality leveraged

## **Standardization**

- Aligns with Gov’t wide business process, facilitates big data analytics for improper payments, debt ceiling management etc.

## **Process Improvement**

- Supports Treasury/GWA modernization
- Standardization of reconciliation processes
- Improve data quality and consistency across entire E2E processes by reducing errors

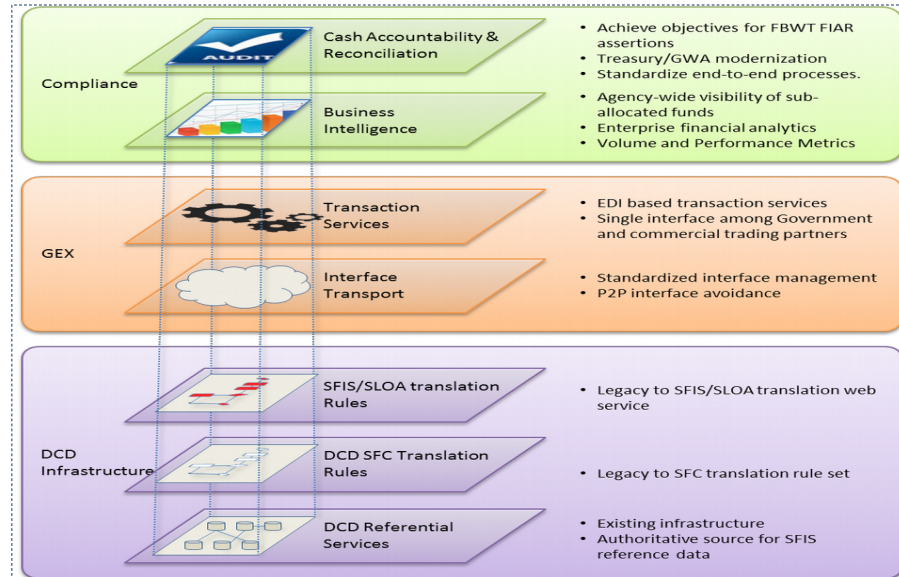




# Initiative: SLOA Validation Service

## Systems Improvement

- Provide a mechanism that source systems can use to validate transactions prior to their dispatch on the E2E process
- Improve enterprise analytics through exposure of SFIS/SLOA financial data



## Standardization

- Improve data quality by enforcing standard data structures for DOD financial information
- Exploit GEX to transport SLOA-compliant financial transactional data between core E2E financial, feeder, disbursing and reporting systems.

## Process Improvement

- Supports Treasury/GWA modernization
- Standardization of reconciliation processes
- Improve data quality and consistency across entire E2E processes by reducing errors



Microsoft  
erp Integration  
Presentation



One of DoD's key material weaknesses is an inability to reconcile inter/intra-governmental (IGT) activity and balances

**Unbalanced intra/inter governmental (IGT) buy/sell activities accounted for \$33.6 billion net difference in FY13**



# The IGT Problem – at the Federal & DoD Levels:

“A major reason for the disclaimer is the government’s ***inability to adequately account for and reconcile intra-governmental transactions between departments and agencies.*** This reform activity supports effective financial management through the achievement of a clean audit opinion; the elimination of material weaknesses; and the production of timely, accurate financial information to help guide decision-making.”

*Office of Management and Budget, Executive Office of the President*  
Source: Federal Financial Management 2009

***“DoD financial management systems cannot produce the transaction-level details and supporting documentation necessary to reconcile buyer and seller data and support IGT eliminations on the applicable DoD financial statements.”***



IGT is also known as...

Military  
Interdepartmental  
Purchase Requests  
Reimbursables  
(MIPRs)  
Buy/Sell Transactions  
Interagency  
Agreements  
IPAC

**INTERFUND - Out of**



# Why is IGT a material weakness?



Out of balance



# Why is IGT a material weakness?

**Decentralized**

**Incompatible  
Systems**



**Worldwide**

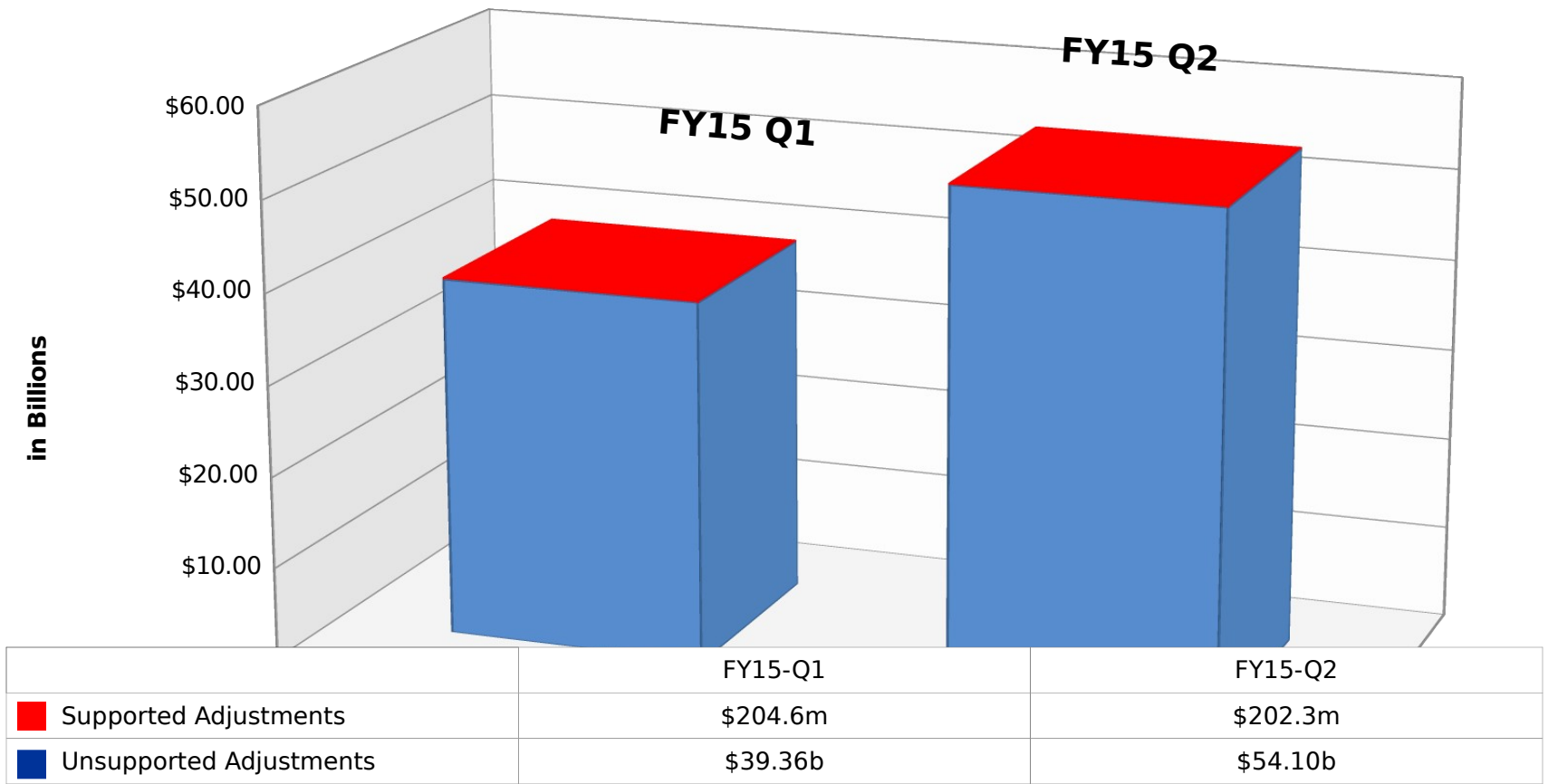
**Lack of  
Standards**

**High Volumes**










# Supported & Unsupported Entries – IGT JVs

## IGT Eliminations - Journal Vouchers





# DoD Challenges and Requirements

Challenge	Requirement	IPP
Lacking documentation for audit	Provide for a data warehouse of IGT transactions for audit, research and analysis	
Buyer and seller transactions and accounting are out of balance, unable to reconcile (in part due to lack of common identifier)	Need common identifier to synchronize buyer and seller accounting transactions (including proper general ledger treatment) using clearinghouse methodology	
Proof of receipt and acceptance	Require appropriate users to record receipt and acceptance, preserve for audit	
Buyer and seller not in full agreement on terms and details transactions	Automate handshake and agreement between buyer and seller before settlement (reduces chargebacks)	
Prompt response to audit findings	Need affordable and rapidly delivered solution to meet DoD audit readiness campaign plan	
Lack of visibility of current status of IAA including remaining period of performance, available funding, unfilled orders, filled orders and paid orders	Must preserve association and provide a common identifier for all transaction components throughout life cycle of agreement, and provide a consolidated view of the information	
DoD transaction volumes and diverse systems	Must handle DoD volume and interface with DoD systems using DoD Global Exchange solution and SLOA	



# Backup



# Review of Audit Findings

Finding	FY15 Requirement	IPP Requirement	IPP
<b>Existing RWO Audit Findings:</b> <ul style="list-style-type: none"><li>“(Reporting Entity) has not been able to isolate...RWO transactions from the rest of the (Reporting Entity) financial transactions”</li><li>Transactions were recorded in the improper period (NFR 2014-RWO General-001)</li><li>Improper recording of (Reporting Entity’s) Intra-appropriation (APPN) reimbursable activity (NFR 2014-RWO-002)</li><li>Lack of sufficient audit evidence to substantiate transactions (NFR 2013-RWO-003)</li><li>Improper recording of collections (NFR 2014-RWO-004)</li><li>Lack of routine tie out of feeder systems to the GL accounts. (NFR 2013-RWO-005)</li></ul>	<ol style="list-style-type: none"><li>1. Develop a MOU with each trading partner and agree to terms including receipt and acceptance, reconciliations, adjudication of required adjustments, and KSD retention</li><li>2. Identify a universe of transaction level detail for each trading partner.</li><li>3. With DFAS assistance, perform monthly reconciliations of transaction level detail with the trading partner to identify variances at the MIPR level.</li><li>4. Adjudicate the variances and identify adjustments required to align the transaction level detail for each trading partner.</li><li>5. Perform and record appropriate receipt and acceptance procedures</li><li>6. Maintain KSDs, per the MOU, which support the transaction level detail as well as receipt and acceptance</li></ol>	Provide for a data warehouse of intra-governmental transactions for audit, research and analysis	
		Need common identifier to synchronize buyer and seller accounting transactions (including proper general ledger treatment) using clearinghouse methodology	
		Require appropriate users to record receipt and acceptance, preserve for audit	
		Automate handshake and agreement between buyer and seller before settlement (reduces chargebacks)	
		Must preserve association and provide a common identifier for all transaction components throughout life cycle of agreement, and provide a consolidated view of the information	
		Must handle DoD volume and interface with DoD systems using DoD Global Exchange solution and Standard Data Sets	
<b>DOD IG Findings:</b> <p>“Inaccurate and unsupported intra-governmental account balances continues to be one of the long-standing material control weaknesses preventing DoD from achieving audit readiness on the DoD Agency-wide basic financial statements.” – Report No. DODIG-2015-056</p> <p>“DFAS personnel should use supportable transaction-level details (that is, the actual elimination amount) to reconcile and eliminate IGTs.” – Report No. DODIG-2015-056</p>			



# Invoice Processing Platform

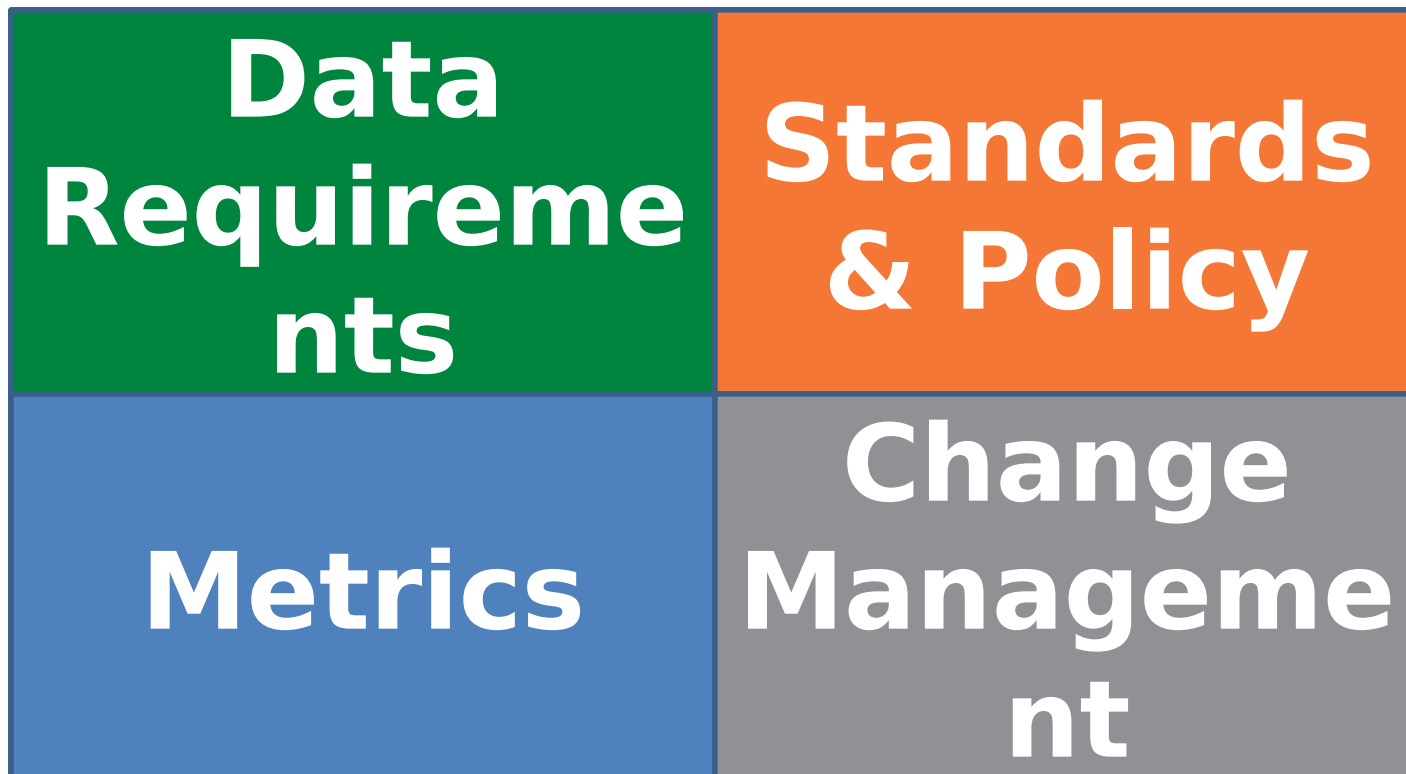


- Enabling “controlled” E2E IGT transactions
- Reengineering the IGT business process
- Leveraging Treasury’s shared service

**Systems & Business Controls  
= Auditability**



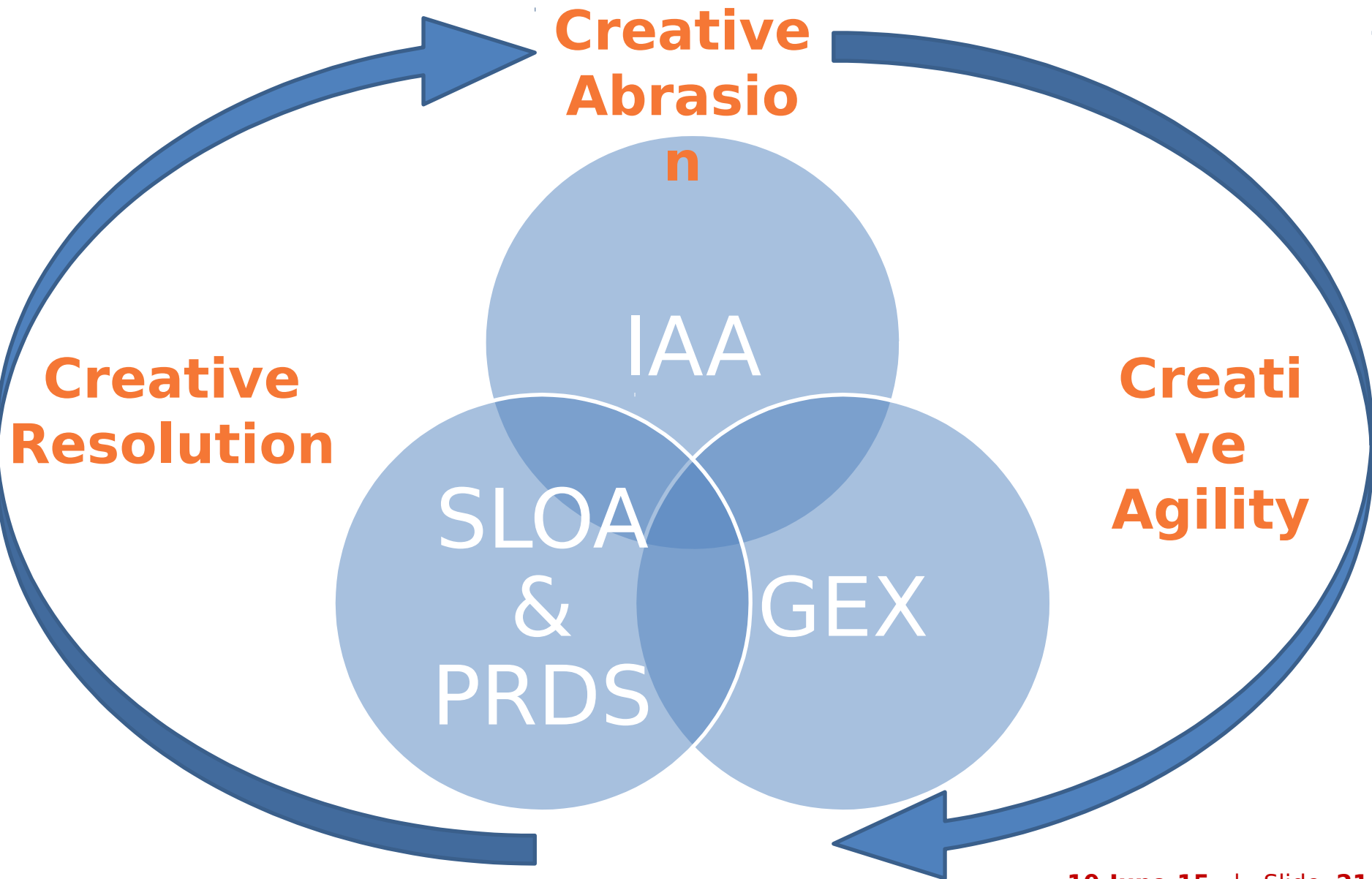
# Governance Structure



## It's all Important!

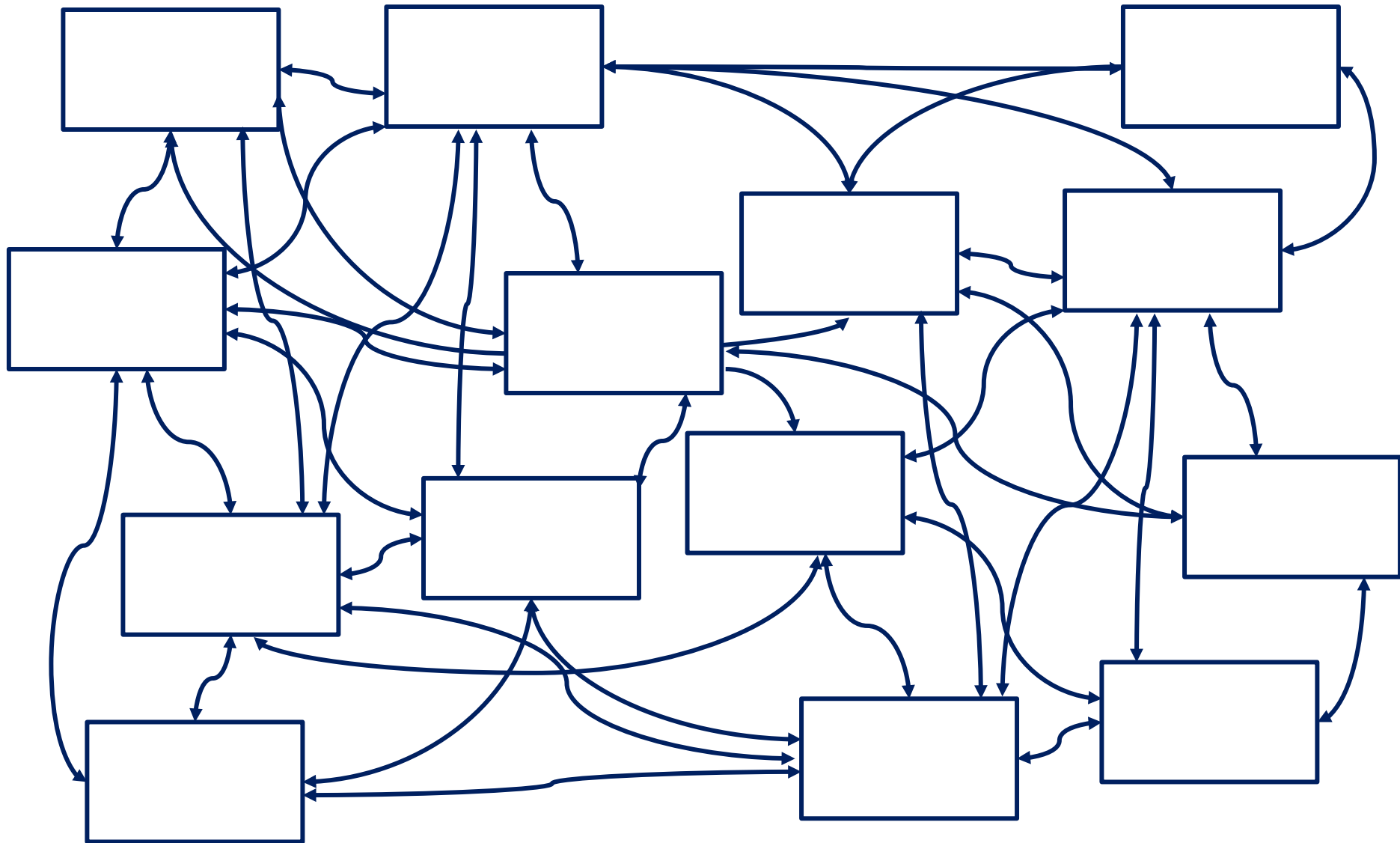


# Key Enablers to Success



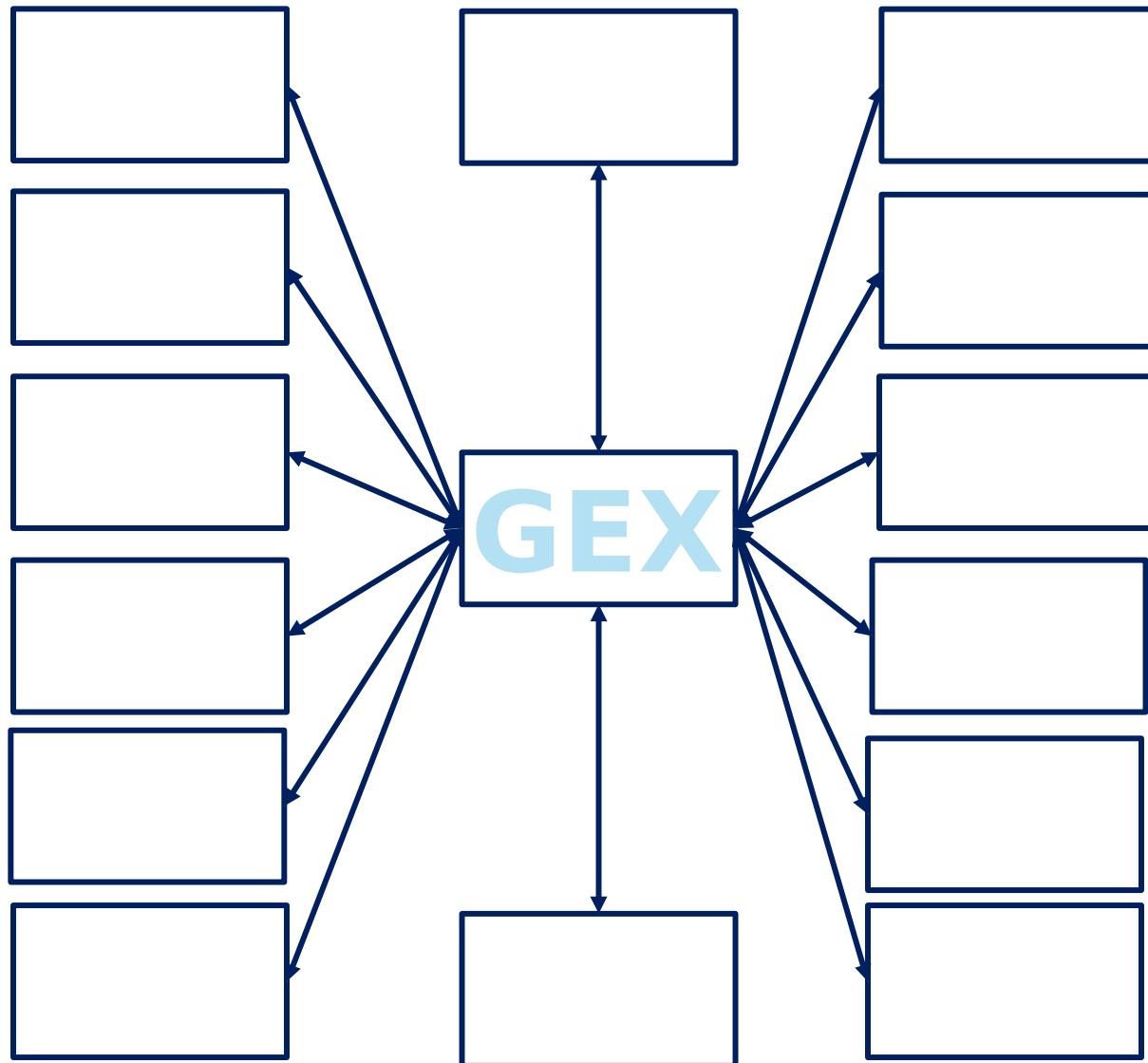


# Pre-GEX



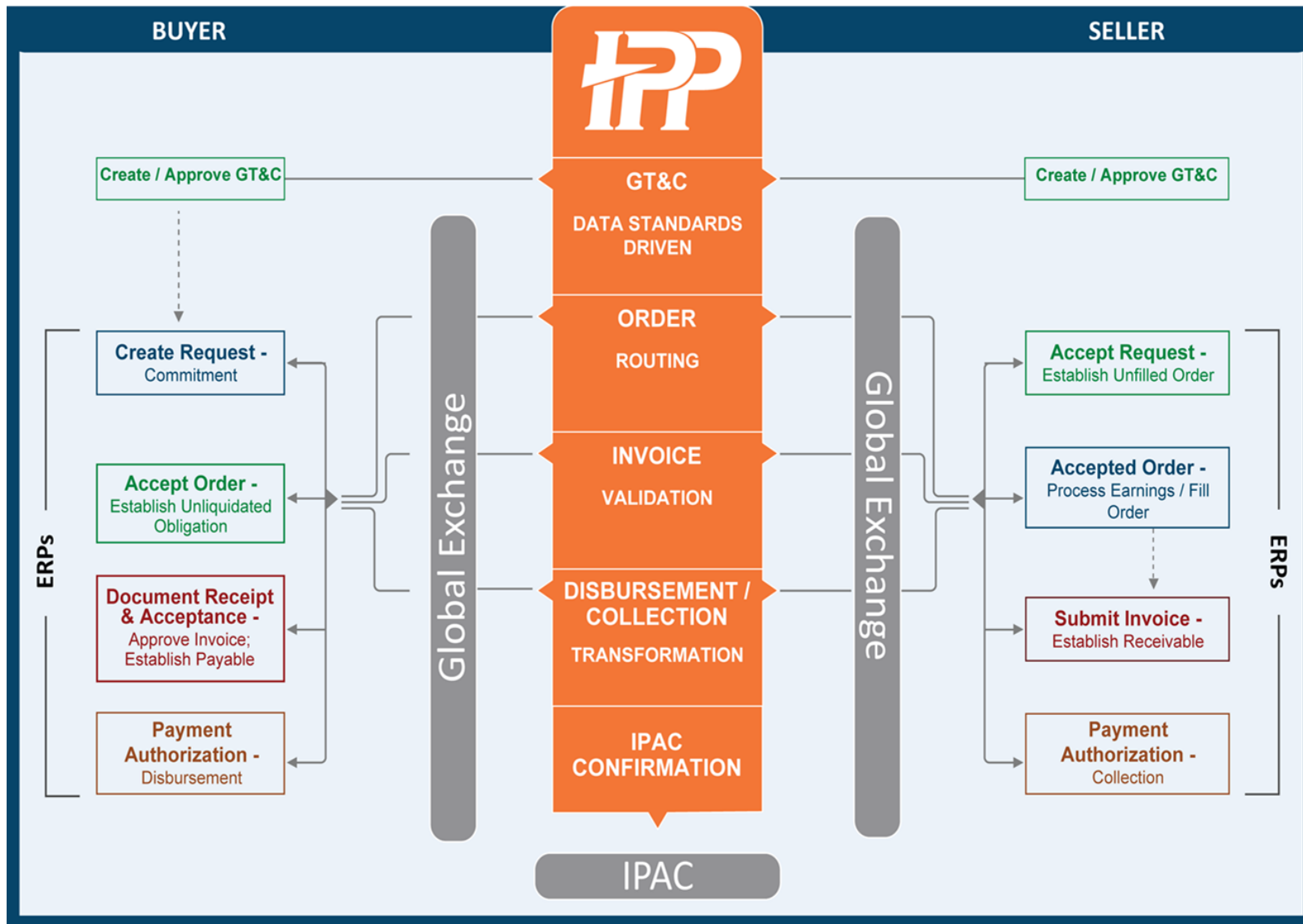


# Post-GEX





# IGT Target





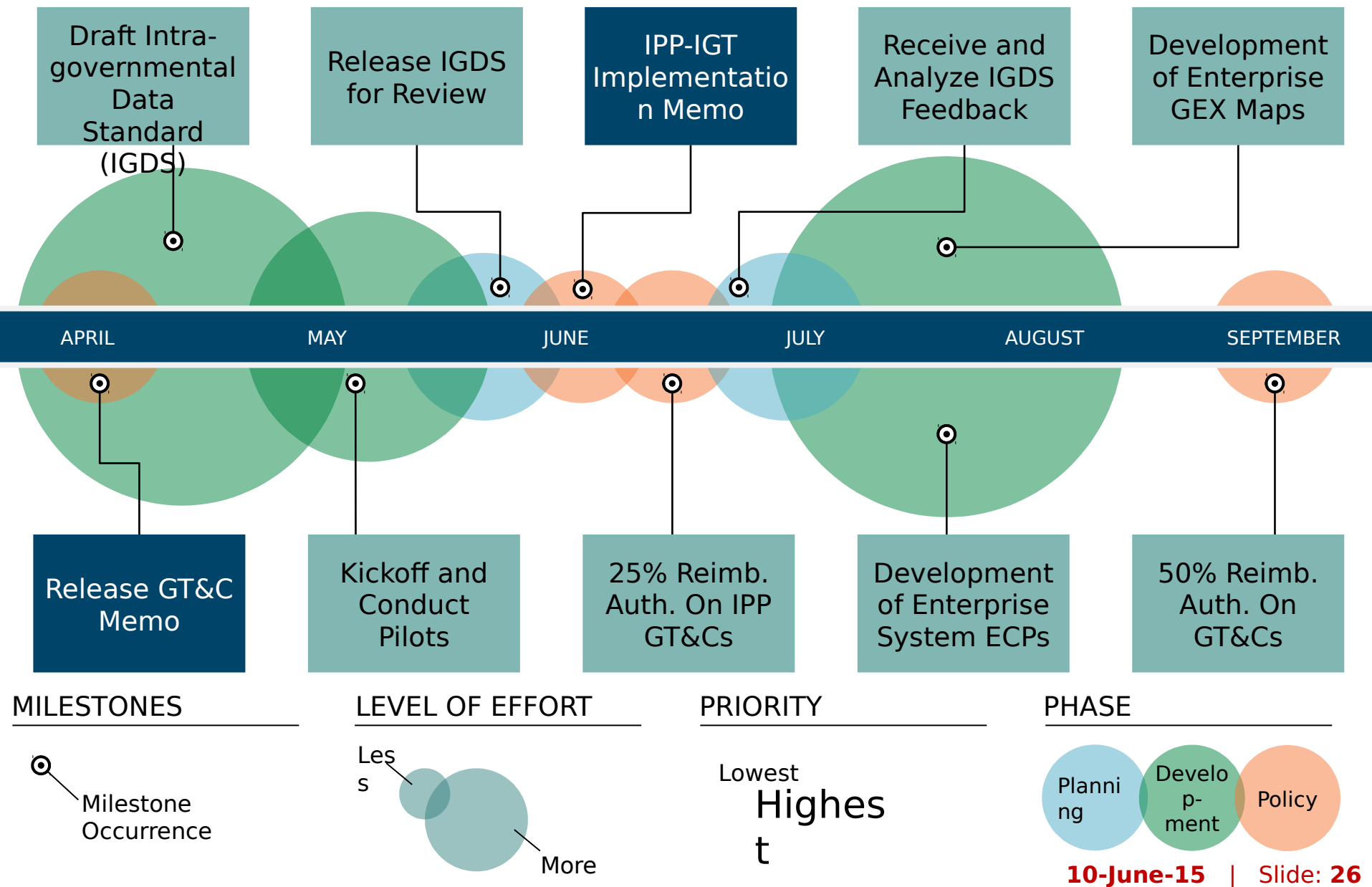


# Key Process Changes

- Support Agreement Role in IGT
- Documented Performance & Receipt
- IPAC Pay & Chase



# Six Month Outlook





- 10-June-15 | Slide: 27**

# Questions?

**Mary Kemp, OUSD(C) BIO**  
mary.l.kemp12.civ@mail.mil



# Mary L. Kemp – OSD(C) Business Integration Office



Mary L. Kemp is lead accountant in the Business Integration Office, Office of the Under Secretary of Defense (Comptroller). She has 30+ years of service as an auditor, budget analyst, accountant, and systems analyst with Department of the Army, Defense Finance and Accounting Service and OUSD(C). She is a past president of ASMC's CNY Leatherstocking Chapter, a Lean 6 Sigma Green Belt, Certified Defense Financial Manager, and DoD Financial Management Level 3 certified. She just completed her Master's Degree coursework and will graduate in June from the National Defense University.